

Message Text

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PAGE 01 QUITO 04491 091757Z

61

ACTION XMB-07

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC 1666

INFO AMCONSUL GUAYAQUIL

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STATE PLEASE PASS EXIMBANK/ARTHUR PILZER

E.O. 11652: N/A

TAGS: BEXP, EC

SUBJECT: MONOLITICA

REF: LABRIE/PILZER TELECON, 7/3/74

1. FOLLOWING ARE RESULTS OF EMBASSY'S INVESTIGATION OF JAN 1973 REPORT FROM BANCO DEL PINCHINCHA THAT SUBJECT FIRM'S CREDIT RATING QUOTE LEAVES SOMETHING TO BE DESIRED UNQUOTE.

2. BANCO DEL PICHINCHA CREDIT SOURCE REPORTS THAT, AS OF MAY 1974, CREDIT MADE AVAILABLE TO MONOLITICA WAS STILL NOT BEING REPAID PUNCTUALLY. DELAY AVERAGES ONE MONTH, E.G. 180-DAY LOANS ARE REPAID IN SEVEN MONTHS. COMMENT: IN RECENT DISCUSSION WITH AN EMBASSY POLITICAL OFFICER, GAETANO BARRELLA, MAJORITY SHAREHOLDER IN MONOLITICA, OPENLY ADMITTED THAT FIRM'S REPAYMENTS ARE FREQUENTLY DELAYED BECAUSE FIRM'S CUSTOMERS ARE THEMSELVES SLOW TO SETTLE ACCOUNTS.

3. HUGO AMORES, FIRST NATIONAL CITY BANK OFFICIAL WHO HAS BEEN HANDLING MONOLITICA'S ACCOUNT WITH FNCB FOR PAST YEAR, THINKS BANCO DEL PICHINCHA COMMENT IS UNDULY NEGATIVE. BANCO, AMORES POINTED OUT, IS HIGHLY CONSERVATIVE. MONOLITICA, SAID AMORES,
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PAGE 02 QUITO 04491 091757Z

IS LARGEST CONSTRUCTION COMPANY IN ECUADOR AND DOES 95 PERCENT

OF BUSINESS WITH ECUADOREAN GOVERNMENT WHICH IS CONSISTENTLY LATE IN MEETING PAYMENTS. THESE PAYMENTS ARE IN FORM OF NOTES CONVERTIBLE TO CASH, BUT WHICH REQUIRE APPROVAL OF NUMEROUS OFFICIALS. THUS MONOLITICA, WHICH GROSSES NEARLY US \$8 MILLION PER YEAR AND SHOWS SIZABLE NET PROFIT, STILL MUST OFTEN AWAIT CUSTOMER PAYMENT IN ORDER TO MEET CREDIT OBLIGATIONS. IT IS, HOWEVER, A THRIVING AND WELL-MANAGED COMPANY, AND FNCB CONSIDERS IT VERY GOOD CREDIT RISK. FIRM HAS UTILIZED FNCB CREDIT UP TO SEVEN (7) MEDIUM US DOLLAR FIGURES.

4. COMMENT: AMORES, AN ECUADOREAN EDUCATED IN U.S. AND PREVIOUSLY EMPLOYED BY FNCB IN CALIFORNIA, IS WELL-KNOWN TO THIS EMBASSY, AND CONSIDERED A RELIABLE SOURCE.
BREWSTER

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